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COLLECTION

PROGRAMME AND BUDGETS, 1998-1999

Personnel and related financial implications of the proposed budget reductions

Note by the Director-General

1. In the programme and budgets, 1998-1999 adopted by the Industrial Development Board in its decision IDB.18/Dec.5 for submission to the General Conference (GC.7/21), significant budget reductions have been made as compared with the 1996-1997 biennium. In document IDB.18/15/5/Rev.1, the Director-General drew the attention of the Programme and Budget Committee and the Industrial Development Board to the personnel and related financial implications of those reductions, and made proposals on possible modalities for financing of a staff separation programme.

2. In order to implement staff separations on a timely basis, the Organization must have an adequate level of cash resources to meet the resulting financial obligations. Income from outstanding assessed contributions and cash balances foreseen for December 1997 and early 1998 are not expected to be sufficient to finance the staff separation programme. The utilization of the 1998-1999 budget for this purpose would have serious implications on the implementation of substantive programmes in the next biennium. It is, therefore, essential that, before the staff separation programme is initiated, a clear indication of the firm financial commitments from Member States be ascertained.

3. The Board, in its decision IDB.18/Dec.6, recommended to the General Conference the approval of the implementation of the staff separation programme resulting from the 1998-1999 programme and budgets, in accordance with the policy and guiding principles described in paragraphs 5 to 11 of document PBC.13/16. With respect to the financial aspects of the staff separation programme, the Board recommended that:

(a) All Member States should pay their outstanding assessed contributions without delay;

(b) The General Conference approve the suspension of financial regulations 4.2(b) and 4.2(c) with respect to the unutilized balance of appropriations for the 1994-1995 biennium, as reported in document IDB.18/4-PBC.13/4, in the amount of $13.9 million for the purpose of funding the separation indemnity reserve to meet the cost of staff separations;

(c) The additional cash resources for the staff separation reserve could be secured: (i) by voluntary contributions from Member States on the understanding that contributions for 1998 for the budget and staff separation reserve would not exceed 1997 assessed contribution levels; (ii) by way of advances from Member States to the Organization, on the understanding that those advances would be repaid as and when the arrears of assessed contributions are paid, or deducted from future contributions;

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(d) The measures under (a), (b) and (c) above should be implemented jointly so as to ensure the payment on time of the costs incurred by staff separations.

4. The financial modalities recommended by the Industrial Development Board are, with the exception of the call for Member States to pay outstanding assessed contributions, voluntary in nature. Therefore, in the opinion of the Director-General, it remains for Member States to ensure that sufficient financial resources are identified to implement staff separations which are a direct result of the Member States' decision to reduce the budget by 20 per cent. Otherwise, the Organization may face serious cash flow problems in financing the staff separation programme, meeting its financial obligations for the current biennium and implementing the 1998-1999 programme and budgets. In the absence of the Board's agreement on a mandatory financing modality, the Director-General appeals to Member States to demonstrate their support of the Organization and respond to the recommendations of the Industrial Development Board. Member States who have outstanding assessed contributions should pay immediately. As it is not considered realistic to expect that a response to this call will generate the required cash, all Member States are requested to make voluntary contributions and advances as recommended by the Industrial Development Board as soon as possible.

5. To assist the Secretariat in planning the implementation of the staff separation programme, information is sought from Member States, as soon as possible, concerning their preferred financing option and the expected date of payment. A communication to that effect has been circulated to each delegation at the current session of the Conference. This communication, prepared on an individual basis, shows for each Member State the estimated voluntary contribution referred to in paragraph 3 (c) above.

6. The time factor of staff separation is essential to reduce the likelihood of a financial crisis in 1998 as the number of staff who will have to leave the Organization is expected to exceed 120. This means that until staff are separated, there will be an ongoing burden, through overencumbency of posts, for which no financial provision has been made in the 1998-1999 programme and budgets. In order not to delay the staff separation programme which must be carried out as early as possible in 1998, a prompt response by Member States is, therefore, of the utmost importance.